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New Starts Small Starts Seminar and Listening Session San Francisco on Feb 15-16.



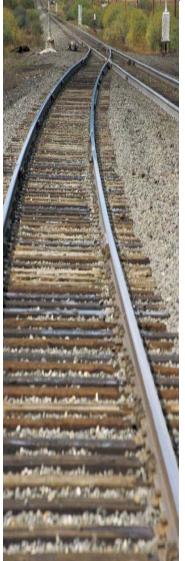
With the passage of SAFETEA-LU..... grantee cost estimates are even more of a focus as

the legislation makes reference to

"increasingly reliable cost estimates".

Source: ANPRM.. 2.2.1.4 Reliability of Forecasts "...consider the reliability of the forecasting methods used to estimate costs.. "





The ANPRM posed questions on cost uncertainty

(1) the soundness of cost-estimating procedures

(2) comparisons of the cost estimates against peer projects, and

(3) the track record of the project sponsor with cost estimates for previous transit projects.

Source: ANPRM.. 2.2.1.4 Reliability of Forecasts Page 29, January 11, 2006





The ANPRM posed questions on the evaluation framework providing direct answers to several key questions including:

.....What are its costs?
.....What project is proposed in response?
.....How well does it address the problem?
....Is it worth the investment?
....What are the trade-offs versus other alternatives?
....Where are the large uncertainties?

Source: ANPRM.. Page 18, January 11, 2006



The ANPRM posed questions on cost reliability....

- 21 . How might FTA incorporate measures of the reliability of forecasts into project evaluation?
- 22. How should information on the reliability of forecasts be modified or updated as a proposed project advances through project development?
- 23. How could FTA help to ensure that contingencies adequately reflect the uncertainties in project design, prices, and quantities at each stage of project development? Source: ANPRM.. 2.2.1.4 Reliability of Forecasts Page 30, January 11, 2006



The ANPRM posed questions for Preliminary Engineering....

- 33. Would definition of the preliminary engineering phase... better support the decision-making process for New Starts?
- 34. How might the Project Management Oversight process be designed to support the higher expectation regarding the results of preliminary engineering?
- 35. Does this approach significantly increase the cost of preliminary engineering? Cost shifting from final design? Source: ANPRM.. Page 36, January 11, 2006



The ANPRM posed questions with respect to New Starts funding share...

Section 5309(11)(3) as amended by SAFETEA-LU accords FTA the discretion to provide a higher percentage of New Starts funding than that requested by the project sponsor as an incentive to producing reliable cost estimates.

38. How would FTA implement this?

Source: ANPRM.. 2.3.5 New Starts Funding Share Incentives Page 36, January 11, 2006



What are the attributes of reliability?

- Consistency of the cost data,
 - Support for the Cost data
 - Correlation between the quantity data in the estimates and that established in design deliverables



- 1. Mechanically correct and complete,
- 2. Free of any material inaccuracies or incomplete data,
- 3. Consistent with relevant, identifiable industry or engineering practices,
- 4. Uniformly applied by the grantee's cost estimators and consistent in its method of calculation and
- 5. Consistent with the project scope adopted in the Record of Decision.



- 1. Nature of the data/estimate as being either
 - the product of unit cost and quantity,
 - cost estimating relationship "CER",
 - lump sum (sometimes referred to a "plug numbers")
- 2. Nature of the support for the data element, i.e. how was it derived.
- 3. Degree to which the definition of project scope corresponds to that contained or implied in the grantee cost data.



- 1. Certain contract package elements (such as Construction General Conditions) as to their requirements and associated construction contractor payment for such scope such as:
 - Elements for additional compensation;
 - Restrictive schedule or mobilization requirements;
 - Geotechnical data and pricing approach;
 - Allowed variability in unit pricing;
 - Support for grantee's general conditions cost estimate.



Uniformity in the grantee's escalation of costs from the base year, to the YOE\$,

Escalation factors used to estimate YOE\$ and

Soundness of the economic forecasts and escalation factors to be applied in the Project or Grant agreement Budget.





Questions?

